

# IDI Bilateral Policy

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## EXECUTIVE SUMMARY

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**The revised IDI mandate endorsed by the INCOSAI in 2013 gave IDI a mandate to work bilaterally.**

While a large majority of SAIs in developing countries successfully participate in the regional and global IDI programmes, a substantial number of SAIs require more extensive support to sustainably develop their capacity and performance.

**The objective of IDI's bilateral support is to ensure that the most challenged SAIs with substantial needs for capacity development are assisted and are improving their performance.** The target SAIs are characterized by limited internal capacity and lack of support. SAIs with substantial needs for support are commonly in fragile states, but also in other challenged countries.

**IDI may provide different types of bilateral support.** The role IDI will take depends on the needs of the SAI, the country context and to what extent other providers are available, as well capacity and resources available within the IDI. The IDI Board will make the strategic decision on the volume of bilateral work as well as the types of bilateral support to be provided by the IDI. The identified potential roles for IDI's bilateral support are:

- *Broker role – short term:* Support SAIs in managing their capacity development, and prepare the way for additional support.
- *Capacity maintenance and lifeline support – short and medium term:* IDI provides support on a limited scale to SAIs operating in particularly unstable and unpromising environments as a means of maintaining competence within the SAI until the situation improves.
- *Specialized capacity development provider – short and medium term:* This IDI supports the implementation of specific strategic priorities of the SAI where IDI has comparative competencies, typically in areas where IDI has carried out a regional or global programme.

**For IDI to consider bilateral support, it should be needs based and the SAI should request the support, either through the Global Call for Proposals or directly to the IDI.** IDI will assess all forms of requests or options for bilateral support using a uniform set of conditions:

1. The SAI has major challenges and there is a need for bilateral support in areas where IDI has *competencies and comparative advantages*
2. The SAI does *not receive extensive support* and there are no other INTOSAI/SAI community providers able to deliver the support needed
3. IDI has the *capacity* to provide support and *proper working arrangements* can be established
4. The SAI demonstrates a willingness and continued commitment to strengthen its *performance* and operate according to the principles of *transparency and accountability*

**IDI is willing to support all SAIs regardless of the political environment they operate in.** Supporting SAIs in unstable and/or unpromising political environments involves a substantial result-risk in terms of slow SAI development, but as an INTOSAI body with a mandate to support all developing country SAIs, the IDI is willing to take this risk in cooperation with its resourcing partners.

**In the planning and implementation of bilateral support, IDI uses a set of guiding principles. A basic principle is that there should be a partner-driven process towards ISSAI compliance.** The IDI support

shall always be based on demand and shall take its starting point from local needs and preconditions. In supporting SAIs in fragile and challenging contexts, the bilateral support takes a phased approach to implementation of the ISSAIs.

**A second principle is to take a holistic and change oriented approach to capacity development.** The SAI Strategic Management Framework defines major domains of a SAI which influence its performance. A bilateral cooperation will not necessarily involve all domains, but the framework is a fundament for discussions on critical areas for improvement to enhance the performance of the SAI.

**Thirdly, IDI provides peer-to-peer support by experienced resource persons.** Resource persons selected by the IDI need to have strong personal as well as professional skills and experience. IDI will seek to utilize resource persons with experience from IDI programmes and similar environments as the partner-SAI is facing. Consultants can also be used as resource persons, if qualified peers are unavailable.

**Fourthly, presence and continuity are important** for establishing the necessary trust, developing good organizational and cultural knowledge, gaining insight into political and economic contexts, and enhancing our relevance as partner. This is key to succeed in states of fragility.

**A fifth principle is partnerships and active coordination.** To maximize the value of the support, IDI seeks partnerships with INTOSAI regions, neighboring SAIs, donors and other providers of support. Other providers of support may complement the IDI support, for instance through having the ability to be physically present in the country over time. When IDI considers bilateral support, IDI will as a standard procedure ask the relevant INTOSAI region whether the support could be carried out in partnership.

**Sixth, the IDI is flexible as a partner and seeks continuous learning.** This means IDI shall be flexible in terms of the SAI priorities for support. IDI will adjust plans if required, reflecting IDI's commitment to continuous learning in partnerships and the evolving conditions facing the SAI. Still, IDI stresses that agreements and plans should be used actively during implementation.

**Seventh, the IDI support shall take the identified risks and assumptions into account.** Capacity development support generally carry risk in terms of not achieving goals or sustainable results. These risks include factors that partners exert some control over, but also factors that fall outside the sphere that an SAI can influence. To deal with the risks, it is critical that IDI's bilateral support is based on a realistic assessment of the IDI capacity, characteristic of the partner-SAI and the local context.

**Finally, IDI's bilateral support should be managed through phases which ensure proper planning, decision making and interaction with the partner-SAI.** The main phases are "Assessment of the request", "Planning", "Execution" and "Finalization". Prolongation can also be considered, which will involve a new Planning phase. The planning, reporting, monitoring and decision making of the cooperation should as much as possible be integrated in the SAI's own management systems.

# 1 BACKGROUND

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SAIs operate in different political and economic environments and face varied constraints and opportunities. While evaluations of the IDI confirm that most developing SAIs benefit from the regional and global IDI programmes, it is recognized that some SAIs require more extensive bilateral support to sustainably develop their capacity and performance.

Bilateral support can be defined as support to strengthening the performance, independence and professionalism of one SAI, taking into account the needs and opportunities of the SAI. It takes a holistic approach to capacity development where support may be provided for strengthening of both the professional, organizational and/or institutional capacity of the SAI.

INTOSAI has a strong tradition of bilateral peer-to-peer support, and a number of SAIs in developing countries are currently involved in bilateral capacity development programmes. There are also a large number of SAIs that receive donor support and/or technical support by private sector providers.

The revised IDI mandate endorsed by the INCOSAI in 2013 gave IDI a clear mandate to work bilaterally. Establishing bilateral support is therefore among the priorities of the IDI strategic plan for 2014-2018. In March 2015 the IDI Board agreed core principles for when and where IDI should provide bilateral support:

- Target SAIs for IDI's bilateral support are SAIs which have substantial needs for capacity development support
- Bilateral support by IDI could be provided if the needs of the SAI cannot be met by global and regional programmes or other providers of support
- The nature of the required support must be in an area where IDI has competencies and a comparative advantage
- Priority should be given to SAIs in fragile states
- Bilateral support should not impair the ability of IDI to provide global and regional support

This policy has been developed to clarify the conditions, principles and working modalities for IDI's bilateral support. The policy is supposed to communicate to external stakeholders as well as IDI staff and resource persons. Internally in IDI, the policy is supplemented by operational guidelines.

The policy has been developed with the core principles, service delivery approach and capacity development model of IDI as a starting point. It seeks to utilize the comparative advantages of IDI, such as access to experienced SAI resource persons and the position of the IDI as INTOSAI's global capacity development provider. As capacity development support in general, and especially in fragile contexts, carry risks in terms of not achieving goals or sustainable results, the bilateral policy aims to build on the lessons learned within the IDI and other experiences of support in states of fragility. The policy has been developed with inputs from various stakeholders, including the INTOSAI regions and donors.

Within IDI's global and regional programmes, support is also frequently provided at the SAI level. IDI's bilateral support differ from the SAI level support within global and regional programmes in terms of which SAIs that are targeted and the areas of support. While the global and regional programmes will concentrate on a defined area of support, and targets SAIs having the capacity to successfully follow-up of joint activities within the programme, the bilateral support typically will be broader and target the

most challenged SAIs with limited capacity of follow-up. SAI level support within global and regional programmes will constitute the majority of IDI's support directly to SAIs. IDI will seek synergies between bilateral support projects and the global and regional programmes of IDI.

### IDI bilateral support builds on IDI's comparative advantages:

- **High global legitimacy among SAIs:** IDI is an INTOSAI body and has as documented by evaluations, a strong reputation in the SAI community. The IDI secretariat has multicultural and multidisciplinary staff and works in four languages.
- **Access to resource materials:** IDI has through its position in INTOSAI, networks and experience a unique access to a large body of resource material related to public sector auditing and SAI development.
- **Ability to draw on resource persons from SAIs worldwide:** IDI draws extensively on in kind contribution from the SAI community, and has a large network of trainers and resource persons.
- **Substantial capacity development experience:** IDI has over time gained experience in establishing capacity development programmes that involve all levels of a SAI and takes a client-centred approach. This involves using facilitation techniques and supporting change management in the SAI.
- **Long experience in profession-based peer-to-peer support:** Through peer-to-peer support building on global standards for public sector auditing IDI experience that trust is built and established between professionals from different SAIs.
- **Ability to commit to long-term support:** IDI is established solely for the purpose of assisting SAIs in developing countries and is able to commit to long-term support as long as funding is available. The core funding of the IDI is fairly predictable and allows IDI to plan for a long time horizon.
- **Ability to prioritize the needs of the SAI first:** IDI is a non-profit organization. Subject to available resourcing, this means that IDI can be flexible in terms of adjusting time limits and deliveries of a program and base all programmes on the identified needs of SAIs.
- **Strong links with other INTOSAI bodies:** IDI works across INTOSAI, and can provide support in partnership with other INTOSAI bodies, such as the INTOSAI regions, SAIs and INTOSAI Working groups and Committees.
- **Global overview of capacity development support to SAIs:** Through hosting the secretariat of the INTOSAI Donor Cooperation, IDI has a unique overview of which SAIs are supported and in what forms.

## 2 OBJECTIVE AND SUPPORT AREAS

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### 2.1 OBJECTIVE AND TARGET SAIs

The objective of IDI's bilateral support is *to ensure that the most challenged SAIs with substantial needs for capacity development are supported and are improving their performance.*

SAIs with substantial needs for support are often in fragile states, but also in other challenged countries. The target SAIs of IDI bilateral support are characterized by poor performance compared to international standards and lack of support. Many of these SAIs operate in a challenging environment that undermines SAI development. IDI is willing to support all SAIs regardless of the environment they operate in. Supporting SAIs in unpromising and often also unstable environments involves a substantial result-risk in terms of slow SAI development, but as an organization for all SAIs in developing countries, IDI is prepared to take this risk in cooperation with its resourcing partners. In such situations the role of IDI may be to prepare the SAI for future opportunities and trying to promote the SAI as a reform agent.

### 2.2 TYPES OF IDI BILATERAL SUPPORT

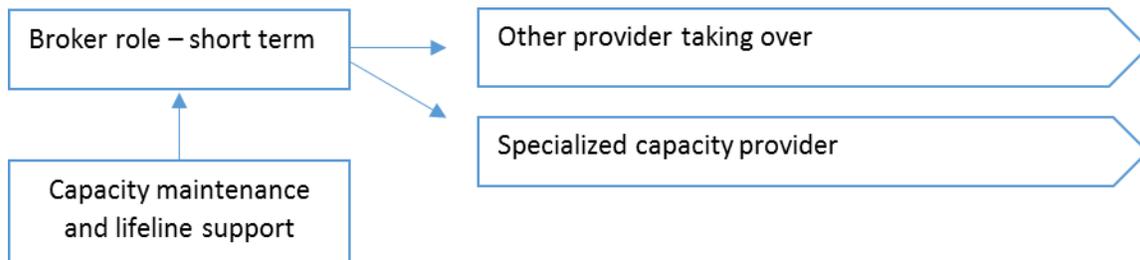
IDI will only support SAIs bilaterally that meet the IDI conditions for bilateral support (see chp 4). In doing so, the IDI may take *different roles* as a partner depending on the needs of the SAI, the country context and to what extent other providers are available. The alternative and potential roles for IDI bilateral support are outlined below. Please note that the roles are partly overlapping and a hybrid of roles could be relevant in specific bilateral programmes.

1. **Broker role – short term:** IDI supports SAIs in managing their capacity development, and prepares the way for additional support. This is most relevant for SAIs which lacks clear strategic priorities and need to establish these before substantial capacity development support can be delivered. It could encompass supporting needs assessment and strategic planning, hereunder SAI PMF and utilization of strategic planning tools. Then IDI would support SAIs in establishing partnerships and securing support for long-term strategic improvement, such as peer partnerships with other SAIs and accessing donor support.
2. **Capacity maintenance and lifeline support – short and medium term:** For SAIs in countries that are particularly unstable and unpromising, any support must have limited ambitions, such as maintaining the basic competency and skills of the SAI and its staff. In such circumstances the role of IDI would be to play an intermediate role and then ensure more long-term support is provided when the situation stabilizes. The support activities by IDI will depend on the areas where it makes sense to maintain capacity. It could be support to execution of critical audits in areas where this is feasible or support activities related to organizational development.
3. **Specialized capacity provider – short and medium term:** Here the IDI would support the implementation of specific strategic priorities of the SAI where IDI has particular competence and comparative advantages. Typically this will be in areas where IDI has carried out a regional or global programme and has access to a network of strong resource persons. IDI could be a

provider which deliver a component of support within a programme established by other partners of the SAI or it could constitute a separate support initiative.

The different roles can be applied step-wise, as illustrated figure 1 below. IDI may start new bilateral programmes mainly with a broker role, and then consider taking any of the other roles subsequently.

Figur 1 Illustration of step-wise application of roles

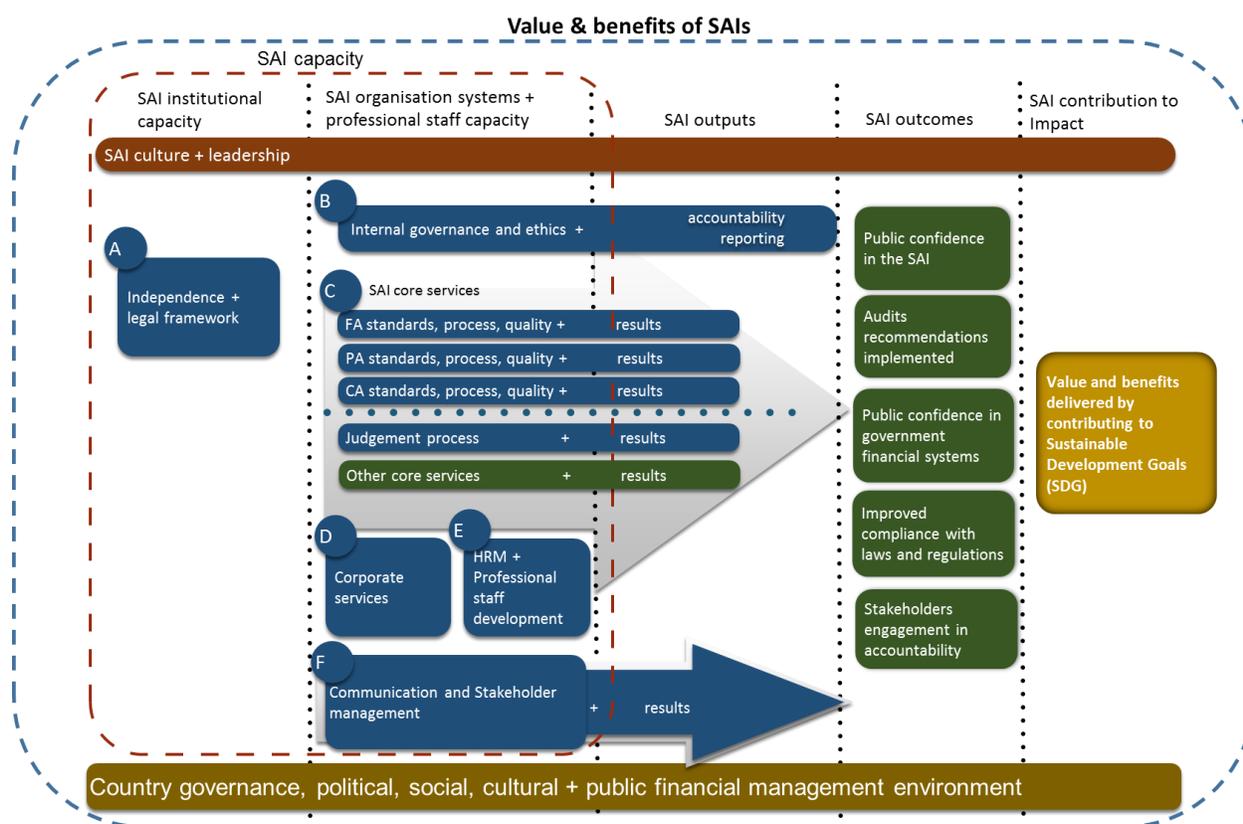


## 2.3 UNDERSTANDING SAIs AND PRIORITIZING SUPPORT

The SAI Strategic Management Framework in figure 2 below holistically covers the factors contributing to SAI outcomes and impact. IDI will use this framework in all partnerships as a fundament for understanding the SAI and prioritizing support. The domains entails both the institutional capacity, organizational capacity and professional capacity of a SAI. These three capacity dimensions are mutually dependent.

Development of *institutional capacity* is tied to the SAI's legal framework, leadership and ability to mitigate risks and utilize opportunities in the political landscape. Development of *organizational capacity* refers to effective audit processes and support services, as well as management systems and organizational culture. Development of *professional staff capacity* is linked to knowledge, skills and attitudes among the employees at all levels.

Figur 2 SAI Strategic Management Framework



## 2.4 OUTCOME INDICATORS

Bilateral support should contribute to the fulfillment of the IDI mandate and its strategic priorities, namely<sup>1</sup>:

- SAIs contributing to strengthening the accountability, transparency and integrity of government and public sector entities
- SAIs demonstrating ongoing relevance to citizens and other stakeholders
- SAIs leading by example

The outcome indicators of bilateral programmes will be linked to the result framework of IDI. Each bilateral programme will require an individual assessment of relevant and realistic output and outcome indicators within the period. Both the SAI PMF indicators and the IDI and SAI outcome indicators established for IDI programmes can be utilized.

<sup>1</sup> IDI Strategic plan 2014-18

### 3 PRINCIPLES GUIDING BILATERAL SUPPORT PROGRAMMES

IDI’s bilateral programmes will be guided by the following principles:

- Partner-driven process towards ISSAI compliance
- Holistic and change oriented approach using the SAI Strategic Management Framework
- Peer-to-peer support by experienced resource persons
- Presence and continuity
- Partnerships and active coordination with INTOSAI regions and development partners
- Flexibility and continuous learning
- Management of risks

The principles are based on IDI’s core principles and service delivery model, as well as key success factors in capacity development (see Table 1). They are presented in more detail in the following chapters.

*Table 1 Lessons learned of capacity development in general and fragile states specifically. Source: Various research and evaluations*

<b>Desirable for effective capacity development in general</b>	<b>Special concerns for capacity development in fragile states</b>
<ul style="list-style-type: none"> <li>• Local leadership and the partner’s capacity to dedicate time and commitment is essential.</li> <li>• Local ownership includes ownership of program approach, design and pace of implementation.</li> <li>• A strategy of long-term engagement, but with ‘quick wins’ early in the life of the capacity development process.</li> <li>• Capacity assessments and context analysis are important for prioritizing interventions.</li> <li>• Adaptation to the local context.</li> <li>• Need to consider sustainability and reinforcement of endogenous capacity.</li> <li>• Risk analysis and mitigation.</li> <li>• Flexibility in design and budget to enable opportunities to be seized and unforeseeable challenges to be addressed.</li> <li>• Synchronicity between programme and political cycles is important. Pay attention to the political dimension of sequencing activities and outputs.</li> <li>• Coordination and collaboration among partners.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited capacity to build on. Often not simply rebuilding, but creating new capacities.</li> <li>• Pressure to restore, start or upgrade services quickly.</li> <li>• Little "margin of error" (e.g. lack of trust and social capital, institutional resilience, etc.).</li> <li>• Hyper-politicized environment.</li> <li>• More urgent need for synchronicity between program and political cycle (e.g. elections, peace agreement, foreseeable political development)</li> <li>• Limited external capacities have higher influence (e.g. poor and insecure road infrastructure, non-existing PFM system across government).</li> <li>• The needs assessment should be light and focused.</li> <li>• Contextual analysis is a must (e.g. political economic, conflict analysis).</li> <li>• Longer timeframe needed.</li> <li>• Management of expectations.</li> <li>• Favor simple, direct approaches over large, complex strategies.</li> <li>• Political savvy and diplomatic skills are important.</li> </ul>

#### 3.1 PARTNER-DRIVEN PROCESS TOWARDS ISSAI COMPLIANCE

The IDI support shall always be based on demand and shall take its starting point from SAI needs and preconditions. IDI are colleagues and discussion partners that base the support on the needs and

opportunities expressed by the partner SAIs, rather than coming in with predefined solutions and approaches.<sup>2</sup> Such an approach is assumed to enhance ownership and sustainability. Also it should ensure necessary adjustments to the local context and enable IDI to “make no harm” in a fragile context.

IDI’s support should to the extent possible be aligned to the strategies and plans of the partner-SAI. If the SAI does not have an updated needs assessment and strategic plan, IDI will support the SAI in developing this. The SAI PMF and the IDI model for strategic planning are useful resources for this process. In some contexts it will be considered to recommend a light form of needs assessment and use a simple format for the strategic plan adapted to the capacity of the partner-SAI.

The ISSAIs constitute the best practice for how SAIs should conduct their audit work and serve as guidelines for identifying areas relevant for support. However, in supporting SAIs in fragile states and other particularly challenged countries, it is important to take a phased approach to ISSAI implementation. Similarly it is important to develop a critical mass of staff that are able to use the ISSAIs and obtain both an understanding and commitment of top management to gradual ISSAI implementation.

## **3.2 HOLISTIC AND CHANGE ORIENTED APPROACH**

The IDI promotes a holistic approach to SAI capacity development. The SAI Strategic Management Framework (see figure 2) defines major domains of a SAI which collectively influence its performance. A bilateral cooperation will not necessarily involve support in all domains, but the framework is a fundament for discussions on which capacities of a SAI that must be considered and strengthened.

How the support can contribute to change, and which preconditions must be in place to achieve these goals, must be stipulated. The SAI Strategic Management framework can be used to develop a theory of change for the support. A theory of change is a description of how and why a desired change is expected to happen in a particular context. It is a mapping exercise, where the start point is the desired long-term goals and then working back from these to identify all the conditions (outcomes) that must be in place for the goals to occur, including how these conditions relate to one another causally.

Close dialogue with the partner SAI is necessary to determine which preconditions must be in place in order to bring about change. These parameters may include factors that partners exert some control over, but also factors that fall outside the sphere that a SAI (at least in the short to intermediate time) can influence, such as the legal framework. IDI will provide support in areas where it has reasonable assurances that improvements in SAI outcomes will take place. Nevertheless, as an organization supporting all SAIs in developing countries, IDI will be prepared to also support SAIs in unpromising environments where major improvements only can be expected in the long run. In environments with very limited national support for strengthening of the SAI, the support of IDI may be directed towards empowerment of the SAI leadership, to believe in reform success, create national awareness of the potential role of the SAI, mobilize support of partners and create a momentum for change. The SAI can, where feasible, be supported to develop partnerships with the donor community, civil society, media and academia, as with parliamentarians and political parties. In addition to creating partnerships, a strategy for SAIs in unpromising environments may also be to carry out audits strategically which clearly

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<sup>2</sup> See also Williamson, T. (2015) Change in challenging contexts. How does it happen? ODI report.

demonstrate the value and benefits of the SAI, such as in areas of service delivery. A support strategy of IDI could be to strengthen professional and organizational capacities of the SAI where these can lead to audits raising the respect of the SAI and increasing the prospects for reform.

Often capacity development interventions can be linked to the execution and reporting of concrete audits. This means providing support for tasks that are part of the SAIs core activities. Completion of audits could ensure “quick wins” in the cooperation and thereby contribute to the achievement of significant longer term capacity changes.

### **3.3 PEER-TO-PEER SUPPORT BY EXPERIENCED RESOURCE PERSONS**

Resource persons are selected by the IDI based on strong inter-personal as well as professional skills. IDI will seek to utilize resource persons and SAIs with experience from IDI programmes and similar environments and challenges as the partner-SAI. Cooperation with the relevant INTOSAI regions will be important when identifying resource persons. Consultants can also be used as resource persons, if qualified peers are not available.

In the modalities of support, and in line with the approach of the IDI global and regional programmes, emphasis should be put on combining theoretical knowledge generation with practical experience. "On the job-training" and mentoring on audits are important mechanisms here. Building personal relationships and mutual trust is a success factor and must be given priority.

### **3.4 PRESENCE AND CONTINUITY**

In fragile states and other particularly challenged countries, a high degree of sensitivity of the local conditions is required. Presence and continuity are important for establishing the necessary trust, developing good organisational and cultural knowledge, gaining insight into political and economic contexts, and enhancing our relevance as partner. For IDI the general rule is the use of short-term resource persons and frequent contact through e-mail and phone, but long-term deployments can also be considered. The degree of IDI presence must be assessed case-by-case looking into the needs of the SAI, resources available and what type of support which will lead to sustainable SAI improvements.

### **3.5 PARTNERSHIPS AND ACTIVE COORDINATION WITH INTOSAI REGIONS AND DEVELOPMENT PARTNERS**

A number of different organizations are supporting SAIs, PFM-improvements and anti-corruption work. This gives a need for harmonization and coordination. The IDI's bilateral support shall be carried out in close interaction with other partners, donors and relevant actors in the partner country to ensure coordinated efforts.<sup>3</sup>

To maximize the value of the support, IDI will seek partnerships with INTOSAI regions, neighboring SAIs, donors and other providers of support. These partners may have comparative advantages which could complement the IDI support, for instance ability to be physically present in the country over time or

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<sup>3</sup> All bilateral programmes will be entered in the SAI Capacity Development Database ([www.saidevelopment.org](http://www.saidevelopment.org))

stronger country knowledge. Partnerships with the INTOSAI regions or other SAIs are also important to prepare for taking over of the responsibility of peer support to the SAI when the IDI bilateral support is completed.

When IDI considers bilateral support, IDI will as a standard procedure ask relevant INTOSAI regional regions whether the bilateral support could be carried out as a joint partnership. A joint project between IDI and the regions can ensure the support is well coordinated with regional activities as well as benefit from the network and competencies available within the regions. The involvement of the regions in bilateral support will have to be decided upon case-by-case as the capacity and opportunities for regional involvement in bilateral support varies.

Synergies with IDI's global/regional programmes will also be sought, in terms of utilization of material and resource persons. In some cases, participation in global/regional programmes may be fruitful for SAIs receiving bilateral support, as a supplement to the bilateral support.

### **3.6 FLEXIBILITY AND CONTINUOUS LEARNING**

The principle of flexibility is relevant in several ways. Firstly, IDI is flexible in terms of the strategic priorities and what areas the SAI priorities for capacity development support. Secondly, IDI will support adaption of global public goods and IDI material to the specific context of the SAI. Thirdly, IDI is flexible to adjustment of plans, reflecting IDI's commitment to continuous learning in partnerships and the evolving conditions facing the SAI. Still, IDI stresses that agreements and plans should be used actively during implementation. That is how needs for changes can be identified at an early stage. Also, by having clear expectations to the partner for using plans, the ownership of the partner is taken seriously. To enable annual learning in a more long-term support programme, the design of the support shall group expected outcomes, outputs and activities into discrete steps that can be taken and evaluated.

### **3.7 MANAGEMENT OF RISKS**

IDI's bilateral support will target SAIs having significant challenges in performance and often operating in an unpromising environment. Furthermore, working in fragile states involves a risk of making more harm than good due to a complex and stressed situation. The implication is that bilateral programmes will involve high developmental and operational risks, but also reputational risks as defined by IDI's corporate risk register.

To deal with the risks, it is critical that IDI's bilateral support is based on a realistic assessment of the IDI capacity, characteristic of the partner-SAI and the local context.

Some challenges related to the IDI capacity to conduct bilateral programmes are:

- Availability of resource persons with sufficient experience and personal qualities
- Lack of understanding and adaption to the local context
- Ability to be physically present and clarify misconceptions and unblock issues

Some challenges related to the most challenged SAIs and their environment are:

- Limited project management and coordination capacity

- Lack of SAI independence, weak Parliament and unfavorable external pressure
- Shortage of qualified and motivated staff and leadership, and lack of incentives for performance
- Inadequate physical structures and resources
- Limited internal financial management capacity and opportunities for corruption among staff
- Insecurity, changing conditions and unpredictability

*Table 2 Possible challenges in bilateral support and strategies to deal with them*

Possible challenges	Specification and examples	Support strategies to deal with the challenges
<b>Recruiting resource persons with right skillsmix</b>	<ul style="list-style-type: none"> <li>• Language barriers, unable to travel frequently or stay permanently in the partner-SAI country</li> <li>• Lack of sensitivity for the hyper-politicized environment</li> </ul>	<ul style="list-style-type: none"> <li>• Extensive assessment of availability of resource persons before Statement of Commitment is signed</li> <li>• Emphasize personal qualifications of resource persons</li> <li>• Train resource persons in sensitivity as well as the country specific PFM-system</li> </ul>
<b>Understanding and adapting to local context</b>	<ul style="list-style-type: none"> <li>• Limited experience in the country</li> <li>• Short term funding</li> <li>• Global public goods not suitable</li> </ul>	<ul style="list-style-type: none"> <li>• Partner with organizations present in the country</li> <li>• Critical and flexible use of global goods and standards</li> <li>• Seek medium/long-term funding mechanisms</li> </ul>
<b>Physical presence and continuously</b>	<ul style="list-style-type: none"> <li>• IDI's intentions and/or requirements are misunderstood</li> <li>• Activities get stalled due to misunderstandings</li> </ul>	<ul style="list-style-type: none"> <li>• Frequent telephone contact if remote support and short-term missions</li> <li>• Partner with organizations present in the country</li> <li>• Discuss with the partner-SAI which misconceptions that may arise and what to do to unblock issues</li> <li>• Critically consider resources and available time when planning</li> </ul>
<b>Capacity for project management and coordination in the partner-SAI</b>	<ul style="list-style-type: none"> <li>• Continuous uncertainty of whether and when planned activities can be carried out</li> <li>• Weak planning culture</li> <li>• Agreements are not adhered to</li> <li>• ToRs not developed or delayed</li> <li>• IDI activities not coordinated with support of other providers</li> <li>• Information is not shared in the SAI</li> <li>• Challenges in terms of responsibility and authority in the SAI</li> </ul>	<ul style="list-style-type: none"> <li>• High degree of presence and continuity to ensure communication and coordination of activities</li> <li>• Set milestones which ensure incremental achievements towards expected outcomes</li> <li>• Resources spent on ensuring a coordinated approach with other development partners</li> <li>• Seek flexible funding arrangements and flexible plans</li> </ul>

Possible challenges	Specification and examples	Support strategies to deal with the challenges
<b>SAI independence, weak Parliament and unfavourable external pressure</b>	<ul style="list-style-type: none"> <li>• Major known risks in government are not audited due to external pressure</li> <li>• The access to information is hindered with the result of limited findings</li> <li>• Audit results not followed-up by Parliament or the Executive</li> <li>• Independence and strengthening of the SAI meet significant resistance among influential elites</li> </ul>	<ul style="list-style-type: none"> <li>• Clarify that IDI can not guarantee for the quality of the audit as this is within the authority of the SAI and may be challenging due to external pressure</li> <li>• Partner with other actors to support PFM-reform and greater independence of the SAI</li> </ul>
<b>Qualification and motivation of staff and managers</b>	<ul style="list-style-type: none"> <li>• Lack of competitive and merit based recruitment systems and practices</li> <li>• Inefficiency and low productivity</li> <li>• High staff turnover</li> <li>• Staff busy with personal issues during office time</li> </ul>	<ul style="list-style-type: none"> <li>• Involve a critical mass of staff in support activities</li> <li>• Link capacity development activities to professional development of staff</li> <li>• Address organizational systems critical for performance, such as by supporting improvements of reporting, management contracts and conditions of service</li> </ul>
<b>Physical structures and resources in the partner-SAI</b>	<ul style="list-style-type: none"> <li>• Poor office accommodation</li> <li>• No cars for fieldwork</li> <li>• Electricity break-down and unstable internet</li> <li>• Lack of IT infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on cost-efficiency in SAI operations and new solutions for capacity</li> <li>• Necessary to partner with financial donors to ensure better physical structures and resources</li> </ul>
<b>Internal financial management systems and capacity</b>	<ul style="list-style-type: none"> <li>• Unclear budget responsibility and control mechanisms</li> <li>• Instances of corruption and distorted funds in the SAI</li> </ul>	<ul style="list-style-type: none"> <li>• The risk must be regularly discussed in meetings in the cooperation</li> <li>• IDI may avoid transfer of funds directly to the SAI</li> <li>• Support to financial management should be offered or facilitated</li> </ul>
<b>Changes in security, and environment of the SAI hanging</b>	<ul style="list-style-type: none"> <li>• War-zone areas</li> <li>• Unexpected change of AG or managers of the SAI</li> </ul>	<ul style="list-style-type: none"> <li>• Flexible plans</li> <li>• Capacity development must involve a substantial number of staff</li> <li>• In some countries, meeting outside the country only option for physical meetings</li> </ul>

## 4 CONDITIONS FOR IDI BILATERAL SUPPORT

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For IDI to consider bilateral support, the SAI should request for support, either through the Global Call for Proposals<sup>4</sup> or directly to the IDI. IDI will also consider bilateral support if a donor asks IDI to provide support. A dialogue will then be initiated with the SAI.

IDI will assess all requests or options for bilateral support using a uniform set of conditions. Bilateral support will be considered to SAIs that meet the following conditions:

1. The SAI has major challenges and there is *a need* for bilateral support in areas where IDI has *competencies and comparative advantages*
2. The SAI *does not receive extensive support* and there are *no other INTOSAI community providers* (SAIs or regional organizations) able to deliver the support needed
3. IDI has the *capacity* to provide support and proper *working arrangements* can be established
4. The SAI demonstrates a willingness and continued commitment to strengthen its *performance and* operate according to the principles of *transparency and accountability*

IDI will apply these conditions in the initial assessment on whether or not to establish a bilateral support programme. IDI will also regularly review whether these conditions remain in place.

For prioritizing candidates for bilateral support, IDI will give priority to SAIs in fragile states<sup>5</sup> and applicants who satisfy the conditions for support to a high degree using a prioritization matrix. IDI can provide bilateral support to SAIs in countries not regarded as fragile. However, these SAIs will be less prioritized. IDI will only provide support to SAI's who are members of INTOSAI or a SAI region.

### 4.1 THE SAI HAS MAJOR CHALLENGES AND THERE IS A NEED FOR BILATERAL SUPPORT IN AREAS WHERE IDI HAS COMPETENCIES AND COMPARATIVE ADVANTAGES

When IDI receives a request for bilateral support, IDI will assess whether:

- (a) The SAI has major challenges; SAIs who struggle to complete and report basic audits and lack core internal systems are regarded as having major challenges.
- (b) The nature of the support can be met by participation in IDI regional/global programmes; if IDI has an ongoing or upcoming regional/global programme that is suitable for the needs and capacity of the SAI, IDI will not provide bilateral support.
- (c) If the support requested is in areas where the IDI has a particular competence and/or comparative advantage: IDI has comparative advantages when peers from other SAIs with relevant and strong

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<sup>4</sup> The Global Call for Proposals (GCP) is a mechanism to identify and compile capacity development projects for Supreme Audit Institutions (SAIs) in developing countries. The INTOSAI Donor Secretariat is responsible for managing the process and is providing guidance to the development of the proposals. For more information, see [www.idi.no](http://www.idi.no)

<sup>5</sup> Fragility can be defined in different ways and there exists several lists of fragile states. For the purpose of prioritizing among SAIs, the OECD definition and list of states of fragility will be the main source of reference.

experience can be recruited for the programme. It will also be an advantage if IDI has experience in delivering a global/regional programme in the area requested by the SAI. In appendix 1, some selected IDI programmes are grouped into the SAI Strategic Management Framework domains to show where IDI has experience and a network of trained resource persons.

#### **4.2 THE SAI DOES NOT RECEIVE EXTENSIVE PEER SUPPORT AND THERE ARE NO OTHER INTOSAI COMMUNITY PROVIDERS ABLE TO DELIVER THE SUPPORT NEEDED**

The vast majority of SAIs in developing countries receive some form of capacity development support (including through the IDI and INTOSAI regions). IDI will give priority to SAIs that currently are non-recipients of peer-bilateral support and to a little extent receive technical support.

Prior to entering into a bilateral cooperation, the IDI will check whether there are other SAIs or INTOSAI regions that equally can provide the support, to ensure that it does not crowd out other suppliers. To what extent a private supplier of technical assistance would be preferable for meeting the request of a SAI is difficult to assess. IDI will therefore primarily assess the availability of alternative providers in the INTOSAI community (SAIs and regions).

To what extent other INTOSAI providers are “able to deliver the support needed” is not a clear cut issue. SAIs may receive support, but less relevant and effective support. When assessing whether SAIs receive sufficient support, IDI will assume that fostering genuine change in the most challenged SAIs will require holistic support as well as ability to support long-term and with a high degree of presence. This support can be carried out by both one or several providers, and both through INTOSAI and non-INTOSAI providers.

There could be situations where other providers *partly* can meet the needs of the SAI. IDI will consider whether it is possible to forge partnerships with INTOSAI regional organizations, SAIs or other providers to meet requests, taking into account the benefits of potential partnerships.

#### **4.3 IDI HAS THE CAPACITY TO PROVIDE SUPPORT AND PROPER WORKING ARRANGEMENTS CAN BE ESTABLISHED**

Sufficient funding for the programme must be available (see chapter 5). IDI must also consider to what extent human capacity is available, in terms of resource persons with the relevant competencies and skills as well as resourcing for project management within the IDI. It will be an advantage for the IDI to provide bilateral support to SAIs whose language is one of the four official IDI languages, or where a large proportion of the IDI staff speaks one of these. Nevertheless, given its global outreach, IDI will be prepared to also work with SAIs who have few staff speaking any of these languages, as long as appropriate arrangements for translation can be put in place.

Security is a concern in fragile states and will affect the working conditions for IDI support. Provision of onsite support must be carefully evaluated as the security of IDI staff and resource persons is paramount. In some cases meetings in a neighbour country will be the main form of physical contact. For IDI, the working arrangements will be acceptable as long as regular physical meetings and electronic contact with major SAI representatives can be carried out.

#### **4.4 SAI DEMONSTRATES A WILLINGNESS AND CONTINUED COMMITMENT TO STRENGTHEN ITS PERFORMANCE AND OPERATE ACCORDING TO THE PRINCIPLES OF TRANSPARENCY AND ACCOUNTABILITY**

The experience of the IDI is that strong and committed leadership is a critical success factor for SAI development.<sup>6</sup> This entails leadership based on integrity and a vision of the SAI as a national reform agent.

IDI expects the SAI's top management to be resolute and active agents of change towards the ideals of ISSAI 12: *SAIs making a difference to the lives of citizens*. At the same time, IDI recognize that the space for change and the institutional capacity for change differs.

IDI will support SAIs even though they lack basic systems of integrity and performance. Nevertheless, IDI expects its partners to commit to developing basic systems enhancing integrity and performance in their context (formalized in the Statement of Commitments). For ensuring integrity, this typically involves implementing a Code of Ethics based on ISSAI 30, as well as an annual external audit of the SAI. To enhance performance, a strategic plan is a useful tool for setting the pace and direction of change for a SAI. If a SAI does not have a strategic plan, IDI will support the SAI to carry out a needs assessment and develop a strategic plan in the early stages of a cooperation.

Provision of IDI support depends on close cooperation and coordination with the SAI. IDI expects the SAI to allocate a clear responsibility and dedicated resources for coordination of capacity development support. Coordination involves active sharing of information and updating plans for activities.

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<sup>6</sup> See also Noussi, K. (2012): How Public Accountability Is Institutionalized: The Case of External Public Auditing in Global Perspective Applying a Mixed-Methods Approach.

## 5 FINANCING BILATERAL PROGRAMMES

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IDI will seek long-term and flexible funding arrangements for bilateral support. Basically the funding must ensure sufficient quality taking into account the major risks involved. IDI must ensure that it does not deviate from its own capacity development approach and principles when entering into a funding arrangement. IDI should also seek to establish funding which maintains a robust professional environment in IDI related to support to the most challenged SAIs.

Bilateral support can be financed in different ways:

- by country-specific allocation of funds to strengthening of the SAI, both as a part of a PFM programme or singularly to the SAI
- by regional or global financial arrangements for strengthening of SAIs
- by funds controlled by the SAI
- by IDI's core funding

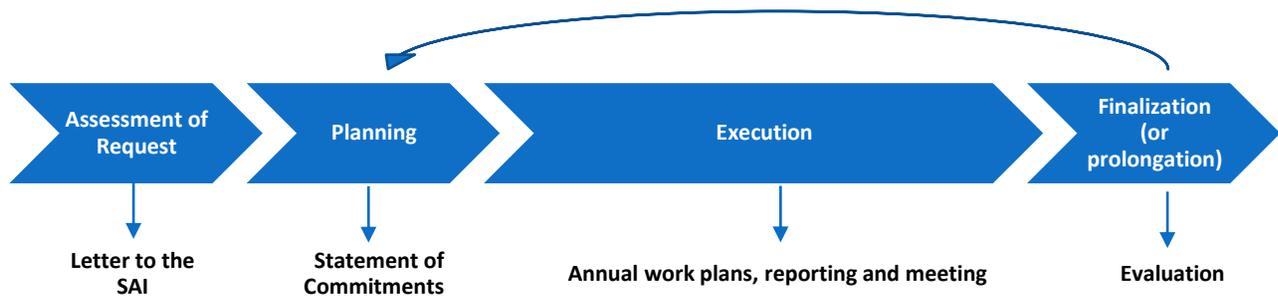
IDI can be a partner with organizations implementing PFM-programs. IDI may also apply for positions on relevant framework agreements from which support to SAIs in fragile states and some other particularly challenged countries may be called down.

There may be a situation where IDI receives a request although funding has not been committed or where the allocated funds are insufficient to establish a bilateral programme. In such a situation, IDI will assist in contacting potential donors to establish funding.

IDI's core funding can be used for financing bilateral activities as long as this does not impair IDI's ability to carry out global and regional programmes.

## 6 PHASES OF BILATERAL SUPPORT

Bilateral programmes should be managed through phases which ensure good processes for planning, decision making and interaction. The main phases are Assessment of the request, Planning, Execution and Finalization. Prolongation can also be considered, which will involve a new Planning phase. If IDI is requested to provide bilateral support on a small scale, the procedures followed will be less extensive.



### 6.1 ASSESSMENT OF REQUEST

When IDI receives a request/proposal for support, a desk review is conducted to assess whether the conditions for IDI bilateral support can be met. A prioritization matrix will be used internally in IDI to systematically assess whether the conditions for support are met and to prioritize among requests. The phase is concluded by a letter sent to the SAI informing on the IDI decision and the way forward if relevant.

Whether funding is available when a request for bilateral support is received will vary. If funding is not in place, IDI core funding could be used for the planning phase as long as IDI's capacity for global and regional programmes are not impaired.

### 6.2 PLANNING

The overall purpose of the planning phase is to settle whether the conditions for support are met by developing a plan and draft agreement with the partner-SAI. This includes outlining the principles for the cooperation, funding arrangements, roles of potential partners and a plan for support activities. To ensure mutual understanding and a systematic planning phase, a ToR should be agreed by IDI and the partner-SAI. A study-trip should, as a general rule, be carried out to collect necessary information regarding the conditions for support and development of plans.

IDI must clearly communicate to the SAI requesting for support that even though a planning phase has been initiated, IDI has not taken a final decision on providing support. A cooperation will only be established when the "Statement of commitments" is signed.

The planning phase should result in a "Planning phase report". If support is finally recommended, this report should include a proposed agreement ("Statement of Commitments"), work-plan and financial arrangements. All bilateral support projects shall as a general rule be presented for approval of the Board through the IDI Operational Plan. Requests for bilateral support can come throughout the year

and may have to be handled ad-hoc outside the IDI planning cycle. Bilateral support involving minor IDI resources can then be approved by the IDI management, but large and possibly contentious engagements shall be discussed with the Board prior to making agreements. When allocating resources, a pragmatic approach should be followed rather than IDI having a fixed upper limit.<sup>7</sup>

### **6.3 EXECUTION**

The planning, reporting and decision making should as far as possible be integrated in the SAI's own management systems. The annual planning of activities should be carried out as a part of the process to establish the SAI operational plan. Likewise, the reporting of the activities should be carried out as an integrated part of the annual performance report of the SAI to avoid duplication of efforts. In the process, IDI will support the SAI to improve its planning and reporting procedures. IDI will use this information for the IDI Performance and Accountability report to the IDI Board and external stakeholders.

IDI will encourage the partner SAI to develop operational plans which is linked to the strategic goals and where the expected outputs are broken down into smaller deliverables of support. All major activities should have a Terms of Reference (ToR) linked to the annual plan. The ToR should list objectives, activities, timeline and responsibilities for the specific activity. As a general rule, the ToR should be drafted by the partner-SAI.

Reports of activities should be developed short time after the activity is completed. The report should be short and contain a list of activities completed, a brief assessment of whether objectives of the ToR have been met and lessons learned.

The annual meeting is the main decision forum for the collaboration. Key parts of the agenda are assessment of the achievements in the passing year and planning for next year. The text to the annual report as well as a draft workplan for next year should be prepared jointly ahead of the annual meeting. Monitoring of the programme is done related to the annual reporting and meeting.

### **6.4 FINALIZATION OR PROLONGATION**

When the programme is approaching the agreed closing date, the achievements, lessons learned and implications of finalization vs prolongation should be assessed. The partner-SAI and the financial donor should be invited to give inputs to the evaluation. For larger projects, an external evaluator should be engaged and the IDI Board will have to approve finalization or prolongation.

In a situation where key agreements of the cooperation are not adhered to, IDI will have a dialogue with the partner-SAI on how this can be improved. If the situation remains problematic over a longer time period, IDI may terminate the support before the intended finalization date.

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<sup>7</sup> Decision in IDI Board meeting March 2015.

## 7 USEFUL MATERIAL AND REFERENCES

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- INTOSAI's guidelines for capacity-building of SAIs (<http://www.intosaicbc.org/doc-lib/>)
- OECD (2016) *Good development support in fragile, at-risk and crisis affected contexts*. OECD Development Policy Papers.
- Noussi, K. (2012): *How Public Accountability Is Institutionalized: The Case of External Public Auditing in Global Perspective Applying a Mixed-Methods Approach*.
- Williamson, T. (2015) *Change in challenging contexts. How does it happen?* ODI report.
- Hart, T., Hadley, S. and Welham, B. (2015) *Use of country systems in fragile states*. ODI report

## APPENDIX 1: SUPPORT AREAS AND IDI PROGRAMMES

<b>SAI Strategic Management Framework domain</b>	<b>Support area</b>	<b>IDI programmes</b>
A	<b>Independence &amp; Legal Framework</b>	SAI Independence (2016-)
B	<b>SAI Leadership and Culture Internal governance and ethics</b>	SAI Strategy, Performance Measurement & Reporting (2016-) SAI Young Leaders (2016-) SAI PMF support (2014-)
C	<b>Financial, compliance and performance audit standards, quality management and process</b>	3i programme phase I & II (2012-)
C	<b>Crosscutting and specialized audits</b>	Auditing Sustainable Development Goals (2016-) SAIs fighting Corruption (2016-) Audit of Externally funded projects in the Agriculture and Food Security Sector (2016-) Cooperative Audit of Extractive Industries (2014) Auditing Borrowing & Lending Frameworks IT Audit Programme
E	<b>Human Resources and training</b>	Human Resource Management (2014)
F	<b>Communication and stakeholder management by the SAI</b>	SAI engaging with stakeholders (2016-)